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**The Arc of DeSoto**  
**(a nonprofit corporation)**  
**Mansfield, Louisiana**

**FINANCIAL STATEMENTS**  
**June 30, 2003 and 2002**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-25-03

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**Deborah D. Dees, MBA, CPA**  
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**Mansfield, LA 71052**  
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**The Arc of DeSoto**  
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**June 30, 2003 and 2002**

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*Deborah D. Dees, MBA, CPA*



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CERTIFIED PUBLIC ACCOUNTANT

### **Independent Auditor's Report**

To the Board of Directors  
The Arc of DeSoto  
Mansfield, LA 71052

I have audited the accompanying statements of financial position of The Arc of DeSoto (a nonprofit corporation) as of June 30, 2003 and 2002, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of DeSoto Association for Retarded Citizens, Inc. at June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 24, 2003, on my consideration of The Arc of DeSoto's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

*Deborah D. Dees, CPA*

Mansfield, Louisiana

October 24, 2003

**The Arc of DeSoto**  
**Statements of Financial Position**  
**June 30, 2003 and 2002**

<b>Assets</b>	<u>2003</u>	<u>2002</u>
<b>Current Assets</b>		
Cash	\$ 76,729	\$ 54,613
OCDD Vocational & Habilitative Services receivable	21,517	25,376
Employee receivable	44	-
Medicaid receivable	-	825
Total current assets	<u>98,290</u>	<u>80,814</u>
<b>Property, plant &amp; equipment</b>		
Land	8,000	8,000
Building	286,821	286,821
Furniture and fixtures	3,856	2,739
Machinery and equipment	17,915	17,915
Vans	177,974	141,485
Sheltered workshop equipment	28,452	28,452
Total property, plant & equipment	<u>523,018</u>	<u>485,412</u>
Less: accumulated depreciation	<u>(167,813)</u>	<u>(131,879)</u>
Net property, plant & equipment	<u>355,205</u>	<u>353,533</u>
<b>Deposits</b>	50	50
<b>Total Assets</b>	<u>\$ 453,545</u>	<u>\$ 434,397</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable-trade	\$ 6,345	\$ 3,913
Payroll taxes payable	4,341	4,801
Total current liabilities	<u>10,686</u>	<u>8,714</u>
<b>Net Assets</b>		
Unrestricted:		
Board operating fund	7,784	6,148
Designated for programs	79,870	66,002
Fixed assets	355,205	353,533
Total unrestricted net assets	<u>442,859</u>	<u>425,683</u>
<b>Total Liabilities and Net assets</b>	<u>\$ 453,545</u>	<u>\$ 434,397</u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statements of Activities**  
**For the years ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Unrestricted Net Assets</b>		
Revenues and other support:		
Contracts with governmental agencies	\$ 249,703	\$ 250,211
Community Homes-contractual	25,620	29,684
Medicaid income	9,962	15,100
United Way	7,109	7,139
Membership dues	1,245	790
Interest and dividend income	450	941
DOTD van grant	29,191	26,444
Contributions	1,080	991
Service income-sheltered workshop	55,542	61,151
Gain on assets	0	11,393
Miscellaneous income	4,144	3,036
Total revenues and other support	<u>384,046</u>	<u>406,880</u>
Expenses:		
Program Services		
Adult habilitation services	316,883	347,205
Sheltered workshop	47,341	69,127
Other programs	2,646	2,169
Total program services	<u>366,870</u>	<u>418,501</u>
Change in unrestricted net assets	<u>17,176</u>	<u>(11,621)</u>
Unrestricted net assets, beginning of year	425,683	437,304
Unrestricted net assets, end of year	<u>\$ 442,859</u>	<u>\$ 425,683</u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2003**

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 163	\$	\$
Bank charges	204		
Client expense			2,361
Depreciation	32,490	3,445	
Drug Testing	78		
Dues	179		
Employee benefits	1,164		
Fuel	18,260		
Insurance	44,875		
License	10		
Maintenance-vehicles	9,491		
Office supplies	4,381		
Payroll taxes	12,363		
Postage	0		
Professional fees	8,535		
Repairs	6,374		
Salaries & wages	157,371	26,849	
Security	855		
Staff training	595		
Supplies		17,047	
Telephone	2,878		
Travel	606		
Utilities	8,015		
Yard maintenance	6,290		
Other expense	1706		285
Rent	0		
Total program services expenses	<u>\$ 316,883</u>	<u>\$ 47,341</u>	<u>\$ 2,646</u>

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2002**

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 1,369	\$	
Bank charges	281		
Client expense			2,169
Depreciation	28,387	3,547	
Drug Testing	448		
Dues	236		
Employee benefits	1,878		
Fuel	19,639		
Insurance	27,633		
License	427		
Maintenance-vehicles	12,518		
Office supplies	17,499		
Payroll taxes	13,870		
Postage	0		
Professional fees	8,540		
Repairs	9,575	1,482	
Salaries & wages	180,606	42,667	
Security	851		
Staff training	1,934		
Supplies	1,670	21,431	
Telephone	4,513		
Travel	4,278		
Utilities	9,551		
Yard maintenance	0		
Other expense	1,502		
Rent	0		
Total program services expenses	\$ 347,205	\$ 69,127	\$ 2,169

The accompanying notes are an integral part of the financial statements.

**The Arc of DeSoto**  
**Statement of Cash Flows**  
**For the year ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 17,176	\$ (11,621)
Adjustment to reconcile change in net assets to net cash provided by operations:		
Depreciation expense	35,935	31,934
Gain on assets	0	(11,393)
DOTD noncash grant	(29,191)	(26,444)
(Increase)Decrease in accounts receivable	4,639	(15,862)
(Increase)Decrease in prepaids	0	6,881
(Increase)Decrease in other assets	0	100
Increase(Decrease) in accounts payable	2,432	(28,681)
Increase(Decrease) in payroll taxes payable	(460)	758
Net cash provided by operating activities	<u>13,355</u>	<u>(42,707)</u>
Cash flows from investment activities		
Cash proceeds from insurance settlement	0	11,393
Investment in construction in progress		
Investment in fixed assets	<u>(8,415)</u>	<u>(99,993)</u>
Net cash used in investing activities	<u>(8,415)</u>	<u>(88,600)</u>
Net increase in cash	22,116	(142,928)
Cash at beginning of period	54,613	197,541
Cash at end of period	<u>\$ 76,729</u>	<u>\$ 54,613</u>

The accompanying notes are an integral part of the financial statements.



**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Note A. Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

The Arc of DeSoto is a nonprofit corporation under the laws of the State of Louisiana. The Arc of DeSoto (The Arc) was established to provide vocational and habilitation services to developmental disabled persons ages 22 years and older within DeSoto Parish, Louisiana. The organization is supported primarily through a Louisiana Department of Health and Hospital contract. Approximately 65% and 61% of the Arc's support for the years ended June 30, 2003 and 2002, respectively, came from this state department.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Arc has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash Equivalents

For the purposes of the statement of cash flows, The Arc of DeSoto considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of June 30, 2003 insures the checking accounts at each institution.

Property and equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state regulations.

The Arc of DeSoto follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$250. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	7 years
Vans	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for June 30, 2003 and 2002 is \$35,935 and \$31,934, respectively.

Reclassifications

Certain 2002 amounts have been reclassified to conform to current year financial statement classifications.

**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Income Taxes**

The Arc of DeSoto is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. The Arc of DeSoto had no such income for this audit period.

**Revenue and Support**

The Arc of DeSoto receives its contract support primarily from the State of Louisiana Department of Health and Hospitals, Office for Citizens with Developmental Disabilities. Contractual revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned. The Arc of DeSoto receives other contractual revenue from local community homes for the services provided to their clients.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Arc had no temporarily or permanently restricted net assets for year ended June 30, 2003.

**Retirement Obligations**

The employees of The Arc of DeSoto participate in a 401(k) thrift plan. The Arc will match 50% of the first 6% of salary contributed by the employee, and the employee is fully vested in five years. The Arc of DeSoto's contributions for 2003 and 2002 were \$1,164 and \$1,642, respectively.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Compensated Absences**

Compensated absences are not recorded in the financial statements because all employees take the same week vacation in June and 10-day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; therefore the amount cannot be reasonably estimated.

**Note B. Transactions with Related Parties**

The Arc of DeSoto has purchased lawn equipment and repair work for years ending June 30, 2003 and 2002, of approximately \$4,385 and \$2,751, respectively, from Mansfield Lawn and Garden, a company owned by a member of the Board of Directors.

**The Arc of DeSoto.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Note C. Federal Financial Assistance**

During the year ended June 30, 2003, the Arc of DeSoto participated in the following federal financial assistance program:

Program Title	CFDA Number	Grant Number	Issues/ Expenditures
<b>United States Department of Transportation</b>			
Passed through Louisiana Department of Transportation and Development Federal Transit Administration:			
Direct Program--Elderly & Persons with Disabilities	20.513	LA-16-0028	29,191
Total Federal Financial Assistance			<u>\$ 29,191</u>

*Deborah D. Dees, MBA, CPA*



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CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Arc of DeSoto  
Mansfield, LA 71052

I have audited the financial statements of The Arc of DeSoto (a nonprofit corporation) as of and for the years ended June 30, 2003 and 2002, and have issued my report thereon dated October 24, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Arc of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2002-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Arc of DeSoto's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial reporting and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, and the cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Deborah D. Dees, CPA*

Mansfield, Louisiana  
October 24, 2003

**The Arc of DeSoto**  
Schedule of Finding and Questioned Costs  
For the Year ended June 30, 2003

**SUMMARY OF AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT:**

An unqualified opinion was issued on the general purpose financial statements of the Arc of Desoto.

**REPORT ON INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING:**

The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings below as item 2002-1.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

**Compliance Finding**

**2002-1** – This is a prior finding that the board has failed to resolve. The Arc of DeSoto, Mansfield, Louisiana, did not follow through on the issue concerning a misappropriation of public funds that was reported in last year's schedule of findings. According to the Board of Director meeting minutes, restitution was to be made to the organization. I could not get corroboration that this matter has been resolved, and there has been no restitution made to the Arc.

**Recommendation:** The Board of Directors should follow up with the Board member given the authority to determine the disposition of this matter. Confirmation of the District Attorney's position and the matter of restitution should be pursued until this issue is concluded.

**The Arc of DeSoto**  
Summary Schedule of Prior Audit Findings  
For the Year ended June 30, 2002

**Prior Year Findings**

**Compliance Finding**

**2002-1** This matter is still unresolved. See current year findings.

*Deborah D. Dees, MBA, CPA*



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CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors  
The Arc of DeSoto  
Mansfield, LA 71052

I have audited the accompanying statements of financial position of The Arc of DeSoto (a nonprofit corporation) as of June 30, 2003 and 2002, and the related statements of activities, functional expenses and cash flows for the years then ended. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

During the course of my examination, I became aware of the following matter which represents immaterial deviation of compliance or suggestions for improved internal control.

Finding 2003-1. The client's sheltered workshop customer receipt tickets did not always equal the DAH cash/deposit reconciliation worksheet.

Recommendation: One prenumbered receipt book be kept at each major area of activity. ie., kitchen, yard work, ironing, etc. The receipts should be dated correctly and signed. Voided receipts should not be discarded.

Management corrective action plan: Management has agreed to purchase prenumbered receipt books for each area of activity.

I recommend management address the foregoing issue as an improvement to operations and the administration of public programs. I am available to further explain the suggestions.

*Deborah D. Dees, CPA*

Deborah D. Dees, CPA  
October 24, 2003